



The President's Daily Brief

February 21, 1975

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CAMBODIA

Recent military setbacks along the Mekong have given rise to growing pessimism and recrimination among senior government officials. It is impossible to ascertain the point at which the government's morale and internal cohesion will break, but it is clear that the strains on the Cambodian political fabric have never been greater. As the pressures build on Phnom Penh, the chances increase for a political crisis that would make it difficult if not impossible for the government to continue to prosecute the war.

Much of the discontent now being voiced in Phnom Penh is focused on President Lon Nol and his leadership. Since the beginning of this month, a number of government officials have been criticizing the President privately for what they view as his inflexibility regarding a settlement.

Most of the recrimination being directed against him is simply the result of frustration over an inability to discover a feasible route leading to negotiations and a compromise settlement. Actually, there is no indication that the communists are prepared to back away significantly from their hard line on a settlement or that the voluntary or forced departure of Lon Nol would somehow open the way to a compromise solution. At this point, the Khmer communists are confident that time is on their side, and they appear to be banking on either total military victory or a government surrender under the guise of a negotiated settlement.

In the face of this seemingly intractable communist position, conviction still seems to be growing in Phnom Penh that some way must be found to break the negotiations impasse before the government's military position crumbles altogether. Thus, the Khmer communist tactic of portraying Lon Nol and some other senior leaders as obstacles to peace could gain effectiveness, and sentiment for Lon Nol's departure could become more widespread and direct.

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Political crisis could also arise from the renewed friction between Prime Minister Long Boret and army commander in chief Sosthene Fernandez. The two appeared to have resolved their personal differences late last year. This accommodation has not survived the pressures of the present situation, however, and Long Boret in talks with Cambodian officials has begun to blame Fernandez for the deteriorating military situation.

On February 18, Lon Nol refused to accept the resignation of Fernandez. At a cabinet meeting on the same day, Long Boret threatened to resign unless the President allowed greater civilian control over Fernandez and the military.

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SYRIA

President Asad reportedly is in agreement with our approach to further interim negotiations, even though the Syrians are telling other Arabs they were disappointed with Secretary Kissinger's visit.

[redacted] Asad concurs in the Secretary's proposed procedure for a second-stage Egyptian-Israeli disengagement. Asad believes this procedure will be linked with a partial Israeli withdrawal on the Golan Heights or with negotiations to that end. He reiterated his warning, however, that there could be no peaceful solution without Syria's agreement.

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Other members of the Syrian government are expressing doubts about Asad's "extreme flexibility." There is even talk in some circles about not going to Geneva and of joining with Iraq and the Palestinian "Rejection Front" in a common effort to head off a partial solution to the Middle East conflict.

The Syrians are continuing their efforts to maintain pressure on Sadat and to build support among other Arabs for their public position. Foreign Minister Khaddam recently visited several Persian Gulf states carrying a message about Asad's alleged disappointment with Secretary Kissinger's visit. Khaddam described the step-by-step approach to a settlement as a plot to split Arab ranks.

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ISRAEL

Prime Minister Rabin hinted publicly yesterday that his country might be interested in a US security guarantee.

Speaking before a group of university students, the Prime Minister said that while Tel Aviv's basic policy is to rely on its own strength and on defensible borders, only a power like the US could help Israel deter a threat from a super power such as the Soviet Union. He likened Israel's position to that of the West European states which met the Soviet challenge by forming the NATO alliance with the US.

The Israeli press has given prominent coverage to recent reports that Washington is considering the possibility of US security guarantees for Israel in connection with a second-stage Egyptian-Israeli agreement. Commentators are divided on the issue, with opponents stressing what they view as the unreliability of such a guarantee in light of Washington's Vietnam experience and the high price in territorial concessions Israel presumably would have to pay.

An editorial in one daily that frequently reflects government opinion comments that despite the obvious shortcomings of such a guarantee, it might have a stabilizing influence in view of Soviet hostility toward Israel and growing Arab power.

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PORTUGAL

The official version of the long-awaited economic and social program, released by the government yesterday, provides for heavy government supervision of the economy through control of key industries and natural resources. The program declares that Portugal will build "a society in which the intervention of the state will guarantee that the principal resources are employed for the well-being of the Portuguese people."

Governmental control of essential industries like oil and gas production, petrochemicals, steel, and electricity will range up to complete nationalization. The program maintains, however, that "the larger part of economic activity" will remain in private hands.

Foreign investment is welcomed, except in defense-related industries, banks, and electricity. Outside funds are invited in areas where Portuguese technology will be improved, exports increased, or jobs created. In agriculture, the program calls for a limit on irrigated farms of 125 acres and provides for limited expropriation of unused land on large holdings. Expropriated land will be converted into cooperative farms.

The government's program drew criticism from the Communist-dominated labor confederation even before it was made public. The confederation held that its representatives were not consulted in all areas covered and that positions counter to the Armed Forces Movement had been adopted.

The US embassy in Lisbon reports that supervision of the economic program is among the legislative powers the Movement has delegated to the seven-man military junta. The junta's powers are also said to include removing harmful influences of the prior regime, and ensuring that future governments adhere to the Movement's plans.

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According to two air force members of the junta, the Movement is entering negotiations with the political parties to establish a platform for each that will conform to standards set by the Movement. Among other requirements, the parties reportedly must agree to accept the economic program for the next three years and to abide by the junta's interpretation of both the Movement's program and the economic program.

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OPEC

Despite a series of production cuts and a continuing worldwide surplus of crude oil, production capacity of the members of the Organization of Petroleum Exporting Countries is still growing.

Oil production capacity in these states has now reached a record 38.8 million barrels a day, up from 36.2 million in May--the peak month of production in 1974. Actual production is now only about 27 million barrels a day, leaving nearly 12 million barrels a day of excess capacity.

If OPEC states--principally Saudi Arabia, Iran, and Iraq--maintain their current schedules, as they seem intent on doing, another 2 million barrels a day will be added to capacity by late summer. We expect world demand to decline by an additional 1 to 3 million barrels a day by that time and unused capacity to increase to between 15 and 17 million barrels a day.

In short, OPEC states will be producing 25 million barrels a day by late summer--about 60 percent of capacity. On the eve of the embargo in 1973, they were producing a near capacity 32.8 million barrels a day.

OPEC members generally believe that further production cuts may be required to sustain prices. Algeria has sent OPEC members several studies that project sizable surpluses this year. Other OPEC states have also made studies that indicate a need to cut production substantially next summer.

At the same time, some Arab producers are already dissatisfied with the large cuts they have had to absorb. Indeed, Abu Dhabi, Libya, Iraq, and Algeria are likely to try to raise output in the next few weeks. With demand on a downward trend, such increases will be possible only if other OPEC members make corresponding cuts.

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Thus far, production cuts by the international oil companies and producing governments, acting alone or in concert, have effectively reduced total oil supplies of OPEC members to a level only slightly in excess of demand. In some cases, however, the companies favored or penalized certain countries because of price differentials. The OPEC Commission, recognizing that prices were out of line, recently recommended a new set of price differentials designed to make the cartel's price system more secure.

When declining demand leads to production cuts, it is in the cartel's interest to spread the reduction among its members, or perhaps to concentrate it on the states that least need the money. The present largely company-managed method of supporting the cartel price probably will become increasingly difficult to maintain, however, in view of the desire of several OPEC members to increase production. In fact, if the companies focused production cuts in a single country, that country might overcompensate for its disadvantage by lowering prices. It thus seems likely that a formal scheme to prorate production will be put on the OPEC agenda in the near future.

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Political opinions of Williams at home are sharply divided. Everyone recognizes his contribution in achieving independence and consolidating a national structure. Many students and intellectuals, however, feel that he is out of touch with recent changes in society and that he loves power for its own sake.

When he resigned at the end of 1973 and then reversed his decision, some people took at face value his claim that he had decided to stay on in the national interest. Others suspected--probably more correctly--that the real reason was his dislike of the politicians waiting to succeed him. In any case, Trinidad's increasing prosperity seems to have convinced him to stay on at least until the next election, which must be held by May 1976. If he chooses to run again, nobody can beat him.

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People of African descent constitute over 40 percent of the country's 1.1 million population. They are predominantly urban-oriented, hold most of the professional jobs, and dominate politics.

Descendants of East Indian immigrants make up the second largest block--from 35 to 38 percent. The majority of them live in rural areas and are employed in agriculture.

The principal factor promoting racial harmony between these diverse groups is the country's wealth. With a per capita income of over \$1,100, and an equitable pattern of income distribution, Trinidadians are among the most prosperous people in Latin America.

Economic Background

The key to their economic well-being is oil. It provides one quarter of the national product and about two thirds of the country's exports. Domestic production--now at more than 200,000 barrels a day--is expanding, and about 400,000 barrels a day is imported to be refined. The US buys about 90 percent of this output.

Williams has ambitious plans for this oil revenue, both in building the country's economic future and in expanding its influence in the Caribbean. He is emphasizing projects that can use oil as fuel or as easily convertible high-value exports, such as liquefied natural gas. He is also discussing an aluminum smelter plant as a joint venture with Jamaica and Guyana.

The Prime Minister has also promised to use Trinidad's mounting oil revenues to promote regional development and integration. His plan would involve giving balance-of-payments assistance to Jamaica, Guyana, and possibly some other countries. He would also make funds available to the Caribbean Development Bank and to international agencies, such as the World Bank, for use in assisting Caribbean nations.

One of Williams' goals during his foreign travels has been to diversify his country's sources of capital. The US accounts for about 60 percent of the more than \$1 billion of foreign investment in Trinidad and is its most important trading partner, providing about a third of the country's imports and taking half of its exports. Williams is particularly interested in Japanese industrial companies that have expressed interest in helping Trinidad manufacture fertilizer, petrochemicals, and synthetics.

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GREECE

Defense Minister Averoff continues to be optimistic about Greek relations with NATO and the US, and about Prime Minister Karamanlis' ability to consolidate his power in Athens.

Averoff told Ambassador Kubisch on Tuesday that Athens wants to maintain close relations with NATO and the US, but that the political climate arising from the humiliation of Cyprus necessitates a modification of Greece's ties with its Western allies. Since a return to the status quo ante in Cyprus is not possible, he said Greece must seek a relationship with NATO similar to that of France. Averoff said he thought the French were more "in" than "out" of NATO.

Averoff expressed satisfaction with the first round of discussions last week between US and Greek officials on the status of US facilities in Greece. He acknowledged that the facilities served Greek interests, and predicted the talks would turn out well.

On the domestic front, Averoff said that the shake-up in the armed forces would be completed by June, barring some major internal or foreign policy disaster. Incompetence and too close association with the ousted junta were given as the principal criteria for dismissals. Averoff noted that there was some disaffection in the military arising from the government's relaxed approach toward student demonstrations. He felt, however, that his contacts within the officer corps have enabled him to keep abreast of stirrings in the armed forces.

Averoff told the ambassador that Karamanlis was indispensable to Greece, at least "for awhile." This formulation probably reflects Averoff's own ambitions to lead the government one day rather than any immediate intention to unseat Karamanlis.

Coup rumors continue to circulate in Athens,

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[REDACTED] unease in the army is a reflection of how widespread these rumors have become.

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NOTE

Greece reportedly moved ten infantry battalions and additional artillery to six islands in the eastern Aegean during the first ten days of February, increasing the number of Greek troops there by at least 5,000.

Since a threatened clash with Turkey over Aegean oil rights last June, Greece has reinforced the islands with infantry, artillery, and armored units. The army has purchased 60 light tanks and over 100 antiaircraft guns for the islands' defense.

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Greeks are planning a national-scale exercise [REDACTED]
[REDACTED] that will include scenarios for the defense of the islands.

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